

# **EXHIBIT F**

**Franchise Agreement**

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Acto

GOVERNMENT OF THE NORTHERN MARIANA ISLANDS F-L-1  
Office of the Governor MT  
Saipan, Northern Mariana Islands CM 96950 TR  
ICE  
FBI

SECOND AMENDED

CONTRACT AGREEMENT

BETWEEN

GOVERNMENT OF THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

AND

MICRONESIAN TELECOMMUNICATIONS CORPORATION

FOR

LEASE AGREEMENT AND TELECOMMUNICATIONS FRANCHISE

CONTRACT NO. CT410023

This SECOND AMENDED CONTRACT AGREEMENT, is made and entered into this 27 day of October, 1983, by and between the Government of the Northern Mariana Islands, hereinafter referred to as "the Government," and the Micronesian Telecommunications Corporation, hereinafter referred to as "the Company".

WITNESSETH THAT:

WHEREAS, the Government entered into the original contract with the Company on October 22, 1976 to provide Telecommunication Services; and

WHEREAS, the original contract was amended on May 1, 1979; and

WHEREAS, the current contract between the Government and the Company expires on October 22, 1996; and

WHEREAS, the Company has applied for a loan of some \$1.2 million dollars from the Rural Electrification Administration (The United States Department of Agriculture to replace the upgrade the existing Northern Mariana Islands telephone system; and

WHEREAS, in order to comply with the loan requirements of

the REA, the Company must have a Lease Agreement and Telecommunications Franchise of the same duration of the proposed loan, to wit: Thirty Five (35) years; and

WHEREAS, the Parties recognize that this loan from the REA is necessary for the expeditious upgrading and expansion of the Telecommunications System in the Northern Mariana Islands to provide improved local, inter-island and international facilities and services to meet the growth of the Commonwealth.

NOW THEREFORE, for and in consideration of the payments previously made on the original Contract Agreement and Amended Contract Agreement and for and in consideration of the promises and agreements herein set forth, the Parties do mutually agree that the Company shall provide the professional services indicated herein, subject to the terms and provisions of this Second Amended Contract Agreement and attachments hereto.

ARTICLE 1. LEASE OF PRESENT SYSTEM.

The Government hereby leases to Micronesian Telecommunications Corporation the current facilities, called the Saipan Telephone System, at the current valuation of \$426,500.00. The lease form and list of facilities are included as Exhibits "G" and "J", attached hereto. Notwithstanding any other provision of this Second Amended Contract Agreement or of any agreement entered into by the parties with regard to the subject matter of this Second Amended Contract Agreement, any equipment or other property which the Company has provided and will hereafter provide in the establishment, expansion, improvement, augmentation, alteration, repair or replacement of the Telecommunications system, its facilities and equipment, shall at all times remain the property of the Company.

ARTICLE 2. TERM OF LEASE.

The term of this Second Amended Contract shall be good and valid until October 22, 2018.

ARTICLE 3. PAYMENT FOR LEASE OF PRESENT SYSTEM.

The Company agrees to pay the Government for the lease of the present system and current facilities the sum of \$426,500.00, within a twenty (20) year period from the date of execution of the original Contract Agreement, or for as long as long as the Company utilizes said facilities, with 6.5% interest per annum on any overdue amounts. The Company agrees to pay the Government a fixed amount of \$24,000.00 per year to be paid at the rate of \$2,000.00 per month on the last day of each month for the first ten (10) years, beginning October 22, 1976, then fixed amount of \$18,650.00 per year to be paid at the rate of \$1,554.17 per month, on the last day of each month, until the total amount shown above is paid or until such time as the present system is abandoned and replaced by a new system and facilities.

It is understood and agreed by both Parties that the total \$426,500.00 plus accrued interest, if any, will be paid within a twenty (20) year period from the date of execution of the original Contract Agreement, October 22, 1976 subject to the always system abandonment provision.

ARTICLE 4. TELECOMMUNICATIONS FRANCHISE.

The Micronesian Telecommunications Corporation is hereby Franchised as the Telecommunications Common Carrier Entity for the Northern Mariana Islands. The Company is granted the authority to negotiate with the duly designated common carrier entities of other jurisdictions to interconnect with world points, and further, to establish, own, lease, and operate facilities to provide Telecommunication services for the people of the Northern Mariana Islands, on and among the islands and interconnecting the islands to provide Telecommunications service to world points. For the purposes herein, "Telecommunications" means any transmission, emission or

reception of the signs, signals, writings, images and sounds of intelligence of any nature by wire, radio, optical, or other electro-magnetic systems. Telecommunications services which may be provided under this Franchise include telephone, telegraphic messages, facsimile data, audio and video program transmission, including switched and/or dedicated circuit networks to accomodate such services. The Franchise is awarded for a period of thirty five (35) years. The detailed terms and conditions are outlined in the proposal and, where not inconsistent with this Second Amended Contract Agreement, are a binding part of this Second Amended Contract Agreement.

**ARTICLE 5. FRANCHISE FEE AND PAYMENT.**

(a) As payment for the granting of a Franchise, the Company agrees to pay to the Government, from the effective date of the original Contract Agreement, October 22, 1976, until September 30, 1978, ten percent (10%) of any voice, TWX and teletype message and other toll revenues received as a result of traffic agreements or toll separation agreements with connecting common carriers, ten percent (10%) of toll revenues billed and retained by the Company as a result of toll calls between and among the islands of Saipan, Rota, and Tinian, and ten percent (10%) of any other revenues obtained by the Company as a result of services rendered and described in above referenced Article 3.

(b) The Company agrees to pay to the Government, for the period commencing October 1, 1978, and ending upon the expiration of the term of this Second Amended Contract Agreement two and one-half percent (2.5%) of the gross revenues of the Company, as defined in 77 TTC Section 251 as that provision existed on December 1, 1978.

(c) Any deferred payment of any amount owed pursuant to the provisions of this Article 5 shall bear interest at the rate

of six and one-half percent (6.5%) per annum.

**ARTICLE 6. CONDITIONS.**

This Second Amended Contract Agreement is based ~~on~~ the following conditions:

- a. The Company will provide Telecommunications ~~service~~ to the Islands of Saipan, Rota, Tinian.
- b. The Company assumed responsibility for the operations, maintenance, and management of the ~~existing~~ Government owned Saipan Telephone facilities on ~~the~~ effective date of the original Contract Agreement.
- c. The Company will implement operational and ~~executive~~ plans to ensure that adequate Telecommunications services are provided to all subscribers in a timely manner and at the lowest possible cost in keeping ~~with~~ good service.

These plans will set forth:

1. Level of Service
2. Plan for Facilities
3. Financial Projections
  - (a) Capital expenditures
  - (b) Income expenses
  - (c) Method of financing
  - (d) The Company will document financial capability and stability
  - (e) The Company will document technical operational capability.

**ARTICLE 7. POLE USAGE AND CHARGE.**

The Government agrees to the joint usage of poles ~~owned~~ by the Government. Until October 23, 1986, the Company ~~will~~ have free of charge access to all pole contract existing ~~as of~~ October 22, 1976. For all new pole contracts commencing ~~as of~~ October 22, 1976, the Company will be charged \$2.50 per ~~paper~~

year. Any charges for new or existing pole contract after October 22, 1986, shall be re-negotiated between the Company and the Government. The Government may install new poles for the Company upon receipt of a written request on a reimbursable basis. The facilities installed by the Company on Government poles shall meet the National Electric Safety Code as set forth in Section 601 of the REA Telephone Engineering and Construction Manual.

**ARTICLE 8. TERMINATION.**

In the event for any reason during the term of this Franchise the Company is unable or unwilling to provide telephone service to the standard established by the REA, the Government will have the right to declare the Company in default, and may thereafter deliver written notice to the Company declaring that the Government intends to terminate this Second Amended Contract Agreement and assume control of the Company's operations sixty (60) days from the delivery of such notice. If the Company does not take positive action, as reasonably determined in good faith by the Government, to remediate the problem within such sixty (60) days notice period, then the Government has the right to terminate this Second Amended Contract Agreement in its entirety. This right will continue as long as the Company is in default.

**ARTICLE 9. ASSIGNMENT, TRANSFER AND SUBLETTING.**

The Company shall not sell, assign, or transfer the privileges under this Second Amended Contract Agreement without prior written consent of the Government. The Company shall not sublease the leased system or any portion thereof, nor shall the Company sublet any privileges granted with respect to the operation of said Second Amended Contract Agreement without the prior written consent of the Government.

**ARTICLE 10. GOVERNMENT POINT OF CONTACT.**

During the period of this Second Amended Contract Agreement, the Company will consult with the Contracting Officer (as designated by the Governor) of the Government of the Northern Mariana Islands ~~in all matters requiring coordination and control, unless the Government establishes a separate body (such as a Public Utilities Commission) to handle such matters.~~ In this event such notice will be in writing at least thirty (30) days prior to transfer of authority.

**ARTICLE 11. REPRESENTATIVES OF THE PARTIES.**

The representatives of the Parties or their duly appointed successors, for the purposes of reviewing the performance of this Amended Contract Agreement shall be as follows:

For the Government: Director of Public Works Contracting Office for the Governor Government of the Northern Mariana Islands Saipan, Mariana Islands CM 96950

For the Company: President Micronesian Telecommunications Corporation P.O. Box 306 Saipan, CM 96950

**ARTICLE 12. GENERAL TERMS.**

(a) The suggested rates established in Exhibit "A" attached hereto will remain in effect, if so established, commencing on or about November 15, 1976, for one (1) year and ~~will be reviewed annually thereafter by the Government of the Northern Mariana Islands or its duly established Public Utilities Commission to assure an equitable return on the Company's investment.~~

(b) The Company shall comply as applicable to the laws, ordinances, and codes of the Government.

(c) The Company agrees to employ those individuals working for the Government Telephone System at the time the responsibility for the Saipan Telephone System operations is

assumed by the Company.

(d) The Company shall obtain written permission from the Government prior to entry to public grounds, facilities, streets, etc., for purposes other than routine maintenance and repair.

ARTICLE 13. PROPOSAL.

The Micronesian Telecommunications Corporation is the successful proposer for the original Contract Agreement and the award of the Lease and Franchise was generally based upon the proposal submitted by the Company. Said proposal, including negotiated amendments thereto, was a valuable consideration for the award of the original Contract Agreement and, where not inconsistent with this Second Amended Contract Agreement, are being attached hereto as Attachment "A", following Exhibits "A" through "L", and are made a part hereof.

ARTICLE 14. SUCCESSION.

The parties hereto covenant and agree that the terms and conditions hereof shall be binding upon the heirs, successors or assigns of both of the Parties hereto.

ARTICLE 15. INSURANCE.

The Company, through the submission of its proposal as made a part hereof is to defend, indemnify, and hold the Government, its selected officials and its officers, agents and employees free and harmless from any and all claims, suits, loss or damage, or injury to persons or property of whatever kind and nature in performance of this Second Amended Contract Agreement, and to provide evidence of public liability and other coverage insurance insuring the Company and the Government against such hazards and risks in such amount as may be satisfactory to the Government. Proof of all such coverage shall be forwarded to the Government by the Company as a condition precedent to the execution of the original Contract Agreement and Second Amended

Contract Agreement and shall be subject to acceptance in form and amount by the Government. The Government shall not be liable for any debt incurred by the Company, including but not limited to, the REA loan.

ARTICLE 16. PUBLIC AUDITOR.

As required by Public Law 1-8, Chapter 6, Section 5, the Company shall provide all information and reports, shall allow audit, inspection and access to its books, records and account relating to this Second Amended Contract Agreement to the Public Auditor of the Commonwealth of the Northern Mariana Islands. Nothing in this Section shall be construed so as to authorize the Public Auditor to obtain information privileged by law.

ARTICLE 17. PREVIOUS AGREEMENT.

This Second Amended Contract Agreement ~~supersedes and replaces that certain original Contract Agreement entitled CONTRACT AGREEMENT BETWEEN GOVERNMENT OF THE NORTHERN MARIANA ISLANDS AND MICRONESIAN TELECOMMUNICATIONS CORPORATION FOR LEAS AGREEMENT AND TELECOMMUNICATIONS FRANCHISE CONTRACT NO. S77-002 made by the Parties hereto on October 22, 1976; and that certain Amended Contract agreement entitled AMENDED CONTRACT AGREEMENT BETWEEN GOVERNMENT OF THE NORTHERN MARIANA ISLANDS AND MICRONESIAN TELECOMMUNICATIONS FRANCHISE CONTRACT NO. S77-002 made by the parties hereto on May 1, 1979; and said original Contract Agreement and Amended Contract Agreement are hereby cancelled by the mutual consent of the Parties.~~

To analyze

IN WITNESS WHEREOF, the Parties hereto have executed this  
Second Amended Contract Agreement as of the date herein above  
first written.

**GOVERNMENT OF THE  
NORTHERN MARIANA ISLANDS:**

Pedro P. Tenorio, Governor  
Commonwealth of the Northern  
Mariana Islands

**APPROVED AS TO FORM:**

John C. Fangelinan, Contracting Officer for the Governor Director of Public Works

## **MICRONESIAN TELECOMMUNICATIONS CORPORATION**

By: Vice-President

**ATTEST:**

Date: 11/3/83

**INCORPORATED DOCUMENTS**

- Exhibit "A" - Present and Suggested Rates.  
Exhibit "B" - Profile of Current Subscribers, November, 1975.  
Exhibit "C" - No Title (Revenue Comparisons)  
Exhibit "D" - Potential Demand for Local Telephone Service on Saipan.  
Exhibit "E" - Probable Requirement for Local Telephone Service on Saipan.  
Exhibit "F" - No. of Persons and Families as of September 30, 1975.  
Exhibit "G" - Facilities Inventory and Valuation, November, 1975.  
Exhibit "H" - Telephone System Schematic, November, 1975.  
Exhibit "I" - Saipan Telephone Systems Outside Plant.  
Exhibit "J" - Equipment Lease Agreement.  
Exhibit "K" - Bell System Traffic Agreement.  
Exhibit "L" - Numerical Index of REA Telephone Engineering and Construction Manual.

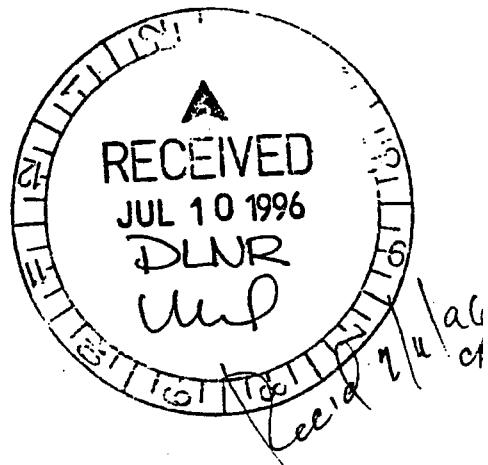
# EXHIBIT G

**MTC's July 10, 1996 letter**



DEL E. JENKINS  
*General Manager*

July 10, 1996



**HAND DELIVERED**

Mr. Benigno M. Sablan  
Secretary of Lands and Natural Resources  
Department of Lands and Natural Resources  
Office of the Governor  
Lower Base, Saipan, MP 96950

Re: Right-of-way for fiber optic telecommunications cable and related facilities

Dear Mr. Sablan:

Pursuant to Public Law 10-14 Micronesian Telecommunications Corporation (MTC) submits to you all the necessary permits and documentation required pursuant to such enactment.

By this letter MTC provides notice to you as Secretary of the Department of Lands & Natural Resources:

1. That MTC agrees to pay to the Treasury of the Commonwealth of the Northern Mariana Islands an annual use fee of \$60,000 per annum in U.S. Dollars (or more at the option of MTC), in advance in quarterly or fewer installments. Attached hereto and made a part of this notice is a receipt from the CNMI Treasury in the amount of \$30,000 evidencing payment of quarterly installments of the annual use fee for the 3rd and 4th quarters of 1996.
2. That MTC agrees to provide on a nondiscriminatory basis comparable ranges and levels of service to or on Rota and Tinian as MTC provides to or on Saipan, with such undertaking to constitute a contractual obligation of MTC for the benefit of every resident of the islands concerned. Please note that a copy of this letter has been provided to the relevant mayor(s) that MTC agrees to provide on a nondiscriminatory basis comparable ranges and levels of service

Mr. Benigno M. Sablan  
July 10, 1996  
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to or on Rota and Tinian as MTC provides to or on Saipan, with such undertaking to constitute a contractual obligation of MTC for the benefit of every resident of the islands concerned.

3. That MTC agrees as a contractual obligation in partial consideration of the grant of the right of way to be bound by the provisions of subsection (c) of 2 CMC § 1222, as amended, and now expressed in Public Law 10-14.
4. That MTC agrees to comply with all other provisions of Public Law 10-14 and other applicable law, federal or local, with respect to the construction, installation, operation, and maintenance of the fiber optic telecommunications cable and related telecommunications network system facilities.
5. That MTC agrees to comply with the requirement of Section 1221 (f) of Article 2 of the Commonwealth Code that an environmental protection plan (EPP) and a coastal engineering plan (CEP) be prepared, and submitting such plans to the Department of Lands and Natural Resources and the Legislature. Included as a part of this letter is an environmental protection plan (EPP) and a coastal engineering plan (CEP). Please note that a copy of this letter with attachments has been provided to the CNMI Legislature thereby constituting submission to the Legislature of the environmental protection plan (EPP) and coastal engineering plan (CEP).
6. That MTC agrees to complete, at its own risk and expense, all necessary improvements and placement of cable and placing the cable in service within 24 months of giving this notice to you as Secretary of the Department of Lands and Natural Resources.
7. That MTC agrees to construct all improvements placed within the right of way in a good and workmanlike manner and in compliance with applicable laws, regulations, ordinances, permits, and building codes.
8. That MTC agrees to maintain, at its own risk and expense, the right of way and all improvements therein in good order and repair and in a neat, sanitary, attractive condition.

Mr. Benigno M. Sablan

July 10, 1996

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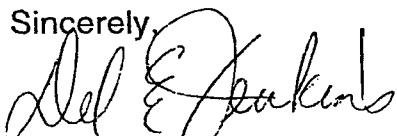
9. That MTC agrees that at the end of the 25 year period specified in paragraph (1) of Subsection (b) of 2CMC § 1222, if MTC shall not agree to any different payment then required, or any new or different conditions, then at the option of the Department of Lands & Natural Resources or successor thereof, (A) all right and title to, and possession of, improvements then existing in the right of way, including the cable, shall, without liability to MTC, be surrendered to the Commonwealth government, which shall succeed to all rights and assumes all duties associated therewith, or (B) MTC shall remove exposed improvements from the main high water mark seaward to the 100 foot contour line.

Attached hereto you will find all the necessary permits and documentation required by Public Law 10-14 to request right of way to place fiber optic cable.

We appreciate your immediate attention to this submission so that MTC can begin the installation of the fiber optic cable connecting Saipan, Tinian, and Rota to Guam.

Thank you in advance for your attention to this matter.

Sincerely,



Del E. Jenkins  
General Manager - MTC

Attachments

cc: President of the Senate  
Speaker of the House of Representatives  
Mayor of Saipan  
Mayor of Tinian  
Mayor of Rota